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The Poverty of Envy

From Subsistence to Exchange and Other Essays

Peter Bauer
Princeton University Press, 2000
xi + 153 pgs.

Peter Bauer possesses a rare ability: he can see the obvious. Several philosophers discussed in this issue—Rawls, Dworkin, and Cohen—rail on and on about equality. Capitalism must be condemned, they tell us, because of inequality. However productive the system, it fails the test of ethics.

Bauer makes two points about equality which have eluded the thinkers just mentioned. Taking a Nietzschean turn, Bauer asks: what is the basis of the demand for equality? Is egalitarianism ethically required? No, he responds, it is not: the ideology of equality rests on envy. According to egalitarian dogma, the rich possess at least a good part of their wealth unjustly, having gained it by exploiting the poor. Will not the poor, if convinced of this, seethe

A Quarterly Review of Books, by David Gordon

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with rancorous hatred of those who have taken what should be theirs?

Our author writes: "Insistence on politically-organized redistribution within and between countries also fuels envy and resentment. . . . Envy and resentment are soul-destroying sentiments liable to corrode people afflicted by them" (p. 104). Bauer does not shrink from challenging Pope Paul VI, who sympathized to a degree with egalitarianism, on the ground of theology. "What the Pope asserts, in common with so many other modern clergymen, serves to encourage one of the seven deadly sins" (p. 104).

To this there is an obvious rejoinder. Does not Bauer's argument presuppose that capitalist ways of distributing wealth are just? If they are not, then is not the resentment of the poor fully in order?

Our author has of course anticipated this point; he devotes the bulk of the book to showing how inequalities between nations arise. But I wish for now to put this issue aside. Let us suppose that Rawls's or Dworkin's theory is correct: income and wealth should be distributed much more equally than at present. Would it follow that Bauer's point about envy can be dismissed?

I do not think so. Would it not be better for the poor to concentrate on productive means of raising themselves? Even if a philosophical theory correctly shows they are entitled to more than they have, it does not seem obvious that their time is best spent in agitation for redistribution.

It is not hard to guess what an egalitarian would answer. Is not the line of thought I have suggested mere capitalist apologetics, designed to ensconce the rich in their ill-gotten gains? Readers must judge for themselves.

When Bauer warns of the malign effects of envy, he speaks from a rich background of historical experience. Envy of productive minority groups has been widespread and has often led to brutal outrages that slake popular passion at the expense of morality and economic progress. Bauer notes an example: "In Malaysia, for instance, Chinese economic performance has for many years been far superior to that of Malays in spite of long-standing discrimination against them. In recent years, indeed, attempts to combat by political means the results of their superior economic performance have become the cornerstone of official economic policy" (p. 101).

Envious discrimination against the productive is not the only bad consequence of egalitarianism our author discerns. Pursuit of equality leads necessarily to the growth of the state. Not equality, but tyranny of the government over the rest of us, arises from following the siren song of egalitarian justice.

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Bauer places great stress on the contemporary importance of this point. "In an open society, attempts to eliminate, or even substantially to reduce, income differences extend coercive power, that is, inequality of power between rulers and ruled. This also implies politicization of economic life. . . . Extensive politicization of life enhances the prizes of political power and thus the stakes in the fight for them. This in turn exacerbates political tension, at least until opposition is forcibly suppressed or effectively demoralized. Politicization of life, often pursued in the name of equality, has in many countries brought about a situation in which the question of who controls the government has become a matter of overriding importance, even a matter of life and death to millions" (p. 144).

Emphasis on historical example is not the most common way of doing economics today.

Emphasis on historical example is not the most common way of doing economics today; an economics article that does not consist largely of equations or econometric time-series has little chance of attracting attention in elite circles. Bauer is thus at great pains to defend his method, and his criticism of the dominant approach is of great value to Austrian school supporters.

Bauer applies his method of historical case study to respond to a query posed earlier. Why are some countries much richer than others? Have the gains of the rich come from exploiting the poor? Rather than resort to complicated theorizing, Bauer adduces a simple fact. "The poorest and most backward countries have until recently had no external economic contacts and have often never been Western colonies. It is therefore obvious that their backwardness cannot be explained by colonial domination or international social stratifications" (p. 54).

Another obvious point—obvious that is, once Bauer has brought it to our attention—supports his attack on the exploitation theory of poverty. The countries most often accused of exploitation, such as Britain and the United States, themselves started as poor nations. Since they were the first developed economies, their earlier poverty cannot have resulted from economic exploitations by more advanced economies.

What then does explain the poverty of nations? The most popular answer appeals to the "vicious circle of poverty." (This view often goes together with the exploitation theory, but it need not do so.)

On this account, suppose that a nation, whether through exploitation or otherwise, is now poor. Once in this state of affairs, it is claimed, it will be

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unable to extricate itself. "There is a distinct model behind the hypothesis of the vicious circle: the growth of income depends on investment; investment depends on saving; saving depends on income. The model pivots on the notion that the low level of income itself prevents the investment required to raise it, hence a zero or negligible rate of economic growth" (p. 45).

As one would by now expect, Bauer's refutation consists of citing an obvious fact. "The volume of investible funds is not a critical independent determinant of economic advance. If it were, millions of people could not have advanced from poverty to prosperity within a few years . . . capital formation was a minor factor in the progress of the West since the eighteenth century, a period particularly congenial to productive investment" (p. 45).

The theory just mentioned falls into a materialist fallacy: it equates material resources with economic assets. In doing so, it ignores the ability and enterprise of the people alleged to be inevitably sunk in poverty. "Poor people can generate or secure sufficient funds to start on the road to progress. . . . They can save modest amounts even from small incomes to make possible direct investment in agriculture, small-scale trading . . . and for many other purposes" (p. 451). The importance of the internal market runs as a constant theme in the book, and Bauer assaults with vigor those who dismiss middlemen as unproductive.

On only one point of the carefully structured argument of this book would I venture a criticism, and it is one that arises from the author's virtues. He deems it obvious that the more productive and talented deserve to profit from the increases in consumer welfare their activities generate. Thus, once he can show that wealth arises from superior talent rather than from exploitation, he thinks he has

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refuted the egalitarian case. He does not imagine, owing to an excess of common sense, that some egalitarian theorists could acknowledge and then dismiss his point. They claim that superior talent does not merit reward. Bauer would no doubt dismiss this view as obviously absurd; unfortunately, this absurdity dominates contemporary political theory. ✦

Tie the Hands of Governments

Unintended Consequences: The Impact of Factor Endowments, Culture, and Politics on Long-Run Economic Performance

Deepak Lal
MIT Press, 1998
x + 287 pgs.

Deepak Lal, a distinguished development economist, might have entitled this book *The Rise and Future Decline of the West*. In his view, the nations of Western Europe first discovered the secret of economic prosperity. But precisely what enabled them to discover it now threatens them with doom. Asia lacks the fatal flaw our author stresses. It now is in good position to supplant the West.

Our author seems to me at his best when he confines himself to economics. He poses a plausible explanation of prosperity, but to understand it, we must first specify his question more exactly. He distinguishes between Smithian and Promethean economic growth. "For much of history, until the rolling Industrial Revolution allowed a substitution of a mineral for an organic economy, the only hope of getting intensive growth was through the increasing division of labor associated with the capitalism of Adam Smith. This I label *Smithian* growth, as contrasted with the 'technologically' based, more modern form I call *Promethean* growth" (p. 20).

Our author seems to me at his best when he confines himself to economics.

Lal asks: how did the West, unlike any other culture in history, attain Promethean growth? He finds the answer in large part in a simple fact. The economic transformation "in part stemmed from the political changes that accompanied the slowly rolling Industrial Revolution. Briefly, these tied the hands of governments, stemming if not stifling their predatory

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instincts. Intensive growth followed. [The economic historian Eric] Jones, for one, believes that intensive growth was always bursting to bubble through but was snuffed out by the 'rent seeking' of predatory states. Political changes in the West constrained this predatoriness and unleashed the unbound Prometheus that has transformed the world" (p. 18).

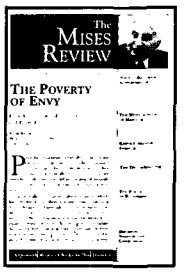
Our author does not go so far as to think the state unnecessary: he uses the familiar "public goods" argument to show that a society requires an agency having monopoly control of violence. But the state does not confine itself to this function. Quite the contrary, the state seizes people's resources through taxation and outright confiscation. Absent secure and stable property rights, economic growth can occur only within rigid limits.

What Lal has in mind is illustrated by the history of China. During the Sung dynasty in the eleventh century, "China had intensive growth, and for the first time population exceeded 100 million" (p. 40). Conditions seemed set for Promethean progress. "But the really extraordinary aspect of this medieval Chinese spurt was that it was also associated with remarkable scientific and technological advances such that it had all the technical ingredients . . . [for] the Promethean form of intensive growth" (p. 42).

The Confucian mandarinate stifled this potential development. It despised business; and the very prosperity engendered in the Sung period gave the mandarins the resources to clamp down on the economy. A predatory state of this type will not destroy economic activity entirely; that would be to kill the goose that lays the golden eggs. But its damping effect sufficed to prevent Promethean growth.

Lal, here echoing Mises, notes that attempts by the state to prey on the economy now face a formidable obstacle: the integration of the world capital market. Countries attempting to impose economic controls will provoke a flight of capital. Mises emphasized the other side of the coin: he stressed that governments intent on intervention would be driven to control foreign exchange.

Our author comments: "But it was not until the growing integration of world capital markets . . . that the hands of national governments were tied in the pursuit of various forms of enterprise. In the new LIEO [liberal international economic order] full-blooded Keynesianism is dead . . . when even Sweden has to abandon its 'middle way' because Swedish companies fight shy of holding their country's debt instruments, the public-borrowing route to financing government activism is closed" (p. 123).



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But our author is not yet satisfied. So destructive is the predatory state of continued economic progress that Lal wishes to constrain it further. Why should government involve itself in the money supply at all? "But the hankering after some form of Keynesian tinkering is likely to persist—as Hayek clearly saw late in his life—as long as there is a government monopoly of money in a world unable or unwilling to accept the rigors of the nineteenth century gold standard" (p. 122).

So destructive is the predatory state of continued economic progress that Lal wishes to constrain it further.

Those in the Mises–Rothbard tradition will disagree with Lal's preference for Hayek's denationalization scheme over a return to the "rigors" of gold. It is clearly cause for celebration, though, that this eminent economist shows himself ready to sever the link between money and the state.

Now for the bad news. Our author, remember, has left us in a quandary. However enterprising people may have been, predatory states always blocked them from achieving Promethean growth. Somehow, though, Britain, followed by other Western European nations, managed to free themselves in the eighteenth century of state control. How were they able to do this, when others before them had failed?

Lal offers us a convoluted answer, the essence of which is this. To develop industrial capitalism, people had to break from economies totally dominated by close kinship ties. Persons had instead to think of themselves as inner-directed individuals. So far, you may say, Lal echoes Max Weber; but he thinks that Weber got the dates wrong. Inner-directed individualism did not stem from John Calvin, as Weber thought: it was the product of the early medieval church.

Our author stands on solid ground in his stress upon the church as a power independent of the state: "The primacy of the church over the state allowed it to acquire temporal power in the West in the eighth century. . . . This claim to an inherent right to political power changed the relation between the secular and the divine. With the divine now claiming to rule the world through the church, the church becomes in-worldly. This was the crucial step in transforming the out-worldly into an in-worldly individual, a process completed by Calvin" (p. 78).

Unfortunately, Lal embeds this excellent point in an elaborate and forced distinction between shame and guilt cultures. As he says, many anthropologists, and some philosophers such as Bernard Williams, have made a great

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With guilt gone, the West can no longer sustain the internal discipline essential to economic growth.

deal of this supposed distinction; but I am unable to see that there is much to it. Readers should judge Lal's discussion (pp. 13ff) for themselves.

One gathers that guilt-ridden people live in a near-constant state of anxiety; they fear that they have transgressed the will of God. Shame, by contrast, is a social affair: one is ashamed when one is "seen, inappropriately, by the wrong people, in the wrong condition" (p. 13). I quite fail to see the contrast at which Lal is driving. Is he saying that the Greeks, and others who lived in supposed shame-cultures, did not feel upset at doing wrong unless they were caught out? If he is not saying this, why would there not be a fear of being seen by others that would act as guilt does? Is the contrast supposed to be that guilt-cultures believe in judgment by God? But did not at least some of the Greeks believe in this also?

Lal's distinction, however impalpable, is vital to the book's argument. In his view, Western morality is based on guilt, and guilt rests on belief in God. But belief in God collapsed in the nineteenth century. "The death of God announced by Nietzsche in 1881 is now apparent in the lives if not the words of most people in the West. This . . . has had enormous consequences for the major socializing force-guilt—that the Church has used to check the individualist passions its greed had unleashed" (p. 102). (By "greed" Lal alludes to his odd theory that the Church inaugurated a "family revolution" in order to attract bequests.)

With guilt gone, the West can no longer sustain the internal discipline essential to economic growth. Fortunately, the East is now ready to take the baton of leadership. Eastern culture has never been based on guilt, so the Nietzschean death-of-God leaves it unscathed. Before the eighteenth century, the East's tight kinship networks impeded individualist enterprise; but now that the West has developed capitalism, the East can do so as well.

Lal's account fails to grasp the depth of Nietzsche's assault on morality. Lal assumes that, absent belief in God, some sort of morality based on self-interest can function perfectly well without further foundation. But just this Nietzsche denied. He thought that atheism collapses the whole notion of moral obligation. Lal is at best a halfway Nietzschean. And if he replies that Nietzsche was wrong and that an independent morality based on nothing but social cooperation is exactly what he does wish to affirm, a new problem arises. Why cannot the West also practice such a morality? Lal

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wishes to use Nietzsche to destroy Western values, while leaving the East immune to his critique. This hardly seems plausible. Lal needs to set forward his philosophical argument much more carefully than he has done. In the meantime, he should stick to economics, at which he is excellent. ✦

THE MYTHOLOGIES OF MARXISM

If You're an Egalitarian, How Come You're So Rich?

G.A. COHEN
HARVARD UNIVERSITY PRESS, 2000
XII + 233 PGS.

Cohen has a great philosophical virtue. He constantly raises major difficulties for the bad ethical and political doctrines that he professes. He is a Marxist of sorts, although there is not much left of that system after Cohen has finished with it.

Classical Marxism, Cohen makes clear, argued for egalitarianism and socialism on an entirely different basis from most contemporary advocates of those views. Today, egalitarians like Rawls and Dworkin claim that morality requires their position: a just society would, at the very least, allow much less inequality than now exists in the United States.

Marx's appeal was not to morality, but to self-interest. Capitalism would inevitably develop into a system in which almost everyone was a member of the proletariat. Since workers under capitalism surrender more and more of what they produce to capitalist exploiters, they do not look with favor on the existing economic order. Happily for them, salvation lies at hand. A socialist economic system, in which workers replaced capitalist entrepreneurs, would not only end exploitation. It would also lead to economic abundance. In a socialist economy, "the free development of each would be the condition for the free development of all." This paradisiacal state would ensue not because people had changed their nature and become totally altruistic. Quite the contrary, so much would be produced that no occasion for major conflicts would arise.

Cohen is a Marxist of sorts, although there is not much left of that system after he has finished with it.

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Cohen aptly points out a simple fact that topples this entire edifice. "The proletariat did, for a while, grow larger and stronger, but it never became . . . 'the immense majority,' . . . and it was ultimately reduced and divided by the increasing technological sophistication of the capitalist production process, which had been expected to continue to expand the proletariat's size and augment its power" (p. 104).

Not only was Marx in error about the size of the proletariat, but his mistake had disastrous consequences. Because Marx thought that the collapse of capitalism and its replacement by socialism was inevitable, he spent almost no time thinking about the nature of a socialist order. If socialism was inevitable, such speculation was futile and Utopian.

Cohen terms Marx's line of thought the "obstetric motif." Echoing Mises, Cohen notes that socialists were totally unprepared about what to do after the revolution. "If you think of politics obstetrically, you risk supposing that what Lenin called 'the concrete analysis of a concrete situation' will disclose, transparently, what your political intervention must be, so that you do not expect and therefore do not face the uncertainties and hard choices with which a responsible politics must contend" (p. 76).

I would be jumping out of character if I did not inject a note of criticism. Cohen does not ask himself how Marx and his many followers can ever have believed that socialism generates abundance. Mises's calculation argument of course shows that socialism collapses into chaos. But altogether aside from this, the Marxist position is transparently silly.

In Marx's view, "capitalist competition abolishes itself by creating enterprises of implicitly social character in which the capitalist becomes obsolete, so that little but his removal is needed to establish socialism. It is not a great exaggeration to say that, in the view of Marx and Engels, socialism is what capitalism has made of itself, minus the capitalist class" (p. 48).

Cohen does not ask himself how Marx and his many followers can ever have believed that socialism generates abundance.

Here precisely is the silliness. Why should anyone think that replacing capitalists by workers, with the economic system otherwise substantially the same, will dramatically increase productivity? The claim seems entirely arbitrary and based on nothing.

Cohen, to repeat, abandons socialist inevitability. In its place he offers "normative political philosophy." Here once more, his conclusions often can be turned to the advantage of the free-market position.

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More specifically, Cohen does not here advance a defense of egalitarianism. Instead, he powerfully argues that egalitarianism demands more from its advocates than is commonly recognized. John Rawls, e.g., has a system that offers equality on the cheap, but Cohen is not buying.

Rawls takes equality of resources as his baseline, from which any deviations must be justified. But such justifications are ready-to-hand. Suppose inequality helps the least well-off class in society. Then Rawls's famous "difference principle" might allow inequality to help the poor through incentives. The talented, able to attain higher-than-average incomes, might generate more resources for redistribution to the needy. (Further discussion may be found in the review elsewhere in this issue of Rawls's *The Law of Peoples*.)

In Cohen's view, the difference principle, if correctly understood, "implies that justice requires (virtually) unqualified equality itself, as opposed to the 'deep inequalities' in initial life chances with which Rawls thinks justice to be consistent" (p. 124).

Cohen anticipates that Rawlsians will reject his argument. Rawls holds that justice is the "first virtue of social institutions," not the sum and substance of morality. The scope of justice is confined to what Rawls terms the "basic structure" of society—its constitution and fundamental legal institutions. Within the confines of the basic structure, individuals who resolutely pursue self-interest do not act unjustly.

Cohen finds unconvincing this sharp dichotomy between basic structure and individual actions. Surely whether a society is just depends in part on how family life takes place within it. If families in a society are rigidly hierarchical, can the society maintain a regime of egalitarian justice?

Cohen argues that egalitarianism demands more from its advocates than is commonly recognized.

Our author thinks it cannot. "Family structure is fateful for the benefits and burdens that redound to different people. . . . Yet Rawls must say, on pain of giving up the basic-structure objection, that (legally uncoerced) family structures have no implications for justice . . . since they are not a consequence of the formal coercive order. But that implication of the stated position is perfectly incredible" (p. 139).

The demands of equality press even more insistently than I have so far indicated. Suppose someone believes that justice demands equality of wealth, or at least more equality than now prevails in capitalist economies. Why should he not feel obligated to give away a large share of his own money to the poor?

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Cohen easily dispatches some excuses not to do so. If it is said that a single person could have only a negligible effect in ending poverty, Cohen draws a distinction. True enough, one person cannot end altogether poverty in a large society. But particular needy individuals can certainly be helped through large donations. Cohen does not unequivocally conclude that rich socialists must divest themselves of most of their wealth; but he shows that those who seek to keep both their money and their egalitarian political convictions have a problem on their hands.

Cohen has provided a *reductio ad absurdum* of the position he wishes to support.

Why should those of us not inclined to egalitarianism care about this? As it seems to me, Cohen has generated an argument that may readily be adapted to the defense of the free market. If professed egalitarians realize the all-embracing character of their principle, will not many of them draw back? Cohen has, by showing where equality leads, provided a *reductio ad absurdum* of the position he wishes to support.

Our author gives aid and comfort to his ideological enemies on yet another front. In a famous review of Robert Nozick's *Anarchy, State, and Utopia*, Thomas Nagel "claimed that there are good grounds for state redistribution of the holdings of those who want to contribute, because a person who is willing and, indeed, eager to contribute through taxation might reasonably be unwilling to give off her own bat" (p. 169).

In brief, you think you should contribute to help the poor but find it too hard to give up your money, when you are free to withhold it. Hence you really want to be coerced. In response, Cohen makes a simple point that was apparently too much for Nagel to fathom: "Nagel appears to ignore the individual's ability to avoid such recurrent difficult voluntary decisions. I can bind my own will, once and for all, or once in a long while, by signing an appropriate banker's order" (p. 171). With enemies like Cohen, our friends can increase their efficiency. ✦

Rawls Unravels Himself

The Law of Peoples

John Rawls
Harvard University Press, 1999
viii + 199 pgs.

For once, John Rawls has managed to say something sensible. When Rawls published *A Theory of Justice*

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in 1971, he soon found himself the most famous political philosopher in the world. With a few notable exceptions, e.g., Antony Flew and Murray Rothbard, critics declared his book a masterpiece.

But a nagging worry threatened to undermine Rawls's carefully-built edifice. Like most leftist-inclined academics, Rawls professes egalitarianism: but his sort of equality has a distinctive twist to it. So long as inequality benefits the least well-off class in society, Rawls's notorious "difference principle" interposes no barrier to it.

Nearly everyone, it appeared, had what he wanted. The liberal academic elite, its conscience eased by Rawls's commitment to the worst-off, could rest easy. Its members would have to surrender only a small part of their wealth. Faced with lessened incentives, strict equality would hurt the poor. Who except supporters of the free market could challenge Rawls's subtle balancing act?

All was not what it appeared. So long as we restrict ourselves to a prosperous society, e.g., the United States, Rawls's low-cost equality does not at once collapse. Since even the worst-off in American society are not too badly off, redistribution makes only limited claims. But what if we extend our reach worldwide?

Some found this prospect ennobling; readers of this journal will recall Peter Unger, who favors massive wealth transfers of this sort. Our author could not adopt so radical a course. Were he to do so, his renown might suffer a setback. How many people really want sharply-lowered standards of life?

Rawls, accordingly, has to find an escape. The difference principle applies only within particular societies. Separate rules apply to relations between societies, or "peoples" as Rawls prefers to call them. Although he thinks that well-off peoples have a duty to assist others, this duty has strict limits. "[I]ts aim is to help burdened societies to be able to manage their own affairs reasonably and rationally and eventually to become members of the Society of well-ordered Peoples. This defines the 'target' of assistance. After it is achieved, further assistance is not required, even though the now well-ordered society may still be relatively poor" (p. 111).

Why does all this matter? Why should we care whether Rawls has modified his difference principle so that it avoids unpopular outcomes? In the course of doing so, he advances some excellent arguments. His points, if extended, strike at the foundations of his own system.

Our author imagines a case in which two countries start out from

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roughly equal levels of wealth. One invests in industry, while the other prefers "a more pastoral and leisurely society. . . . Some decades later the first country is twice as wealthy as the second. Assuming, as we do, that both societies are liberal or decent, and their peoples free and responsible, and able to make their own decisions, should the industrializing country be taxed to give funds to the second? According to the duty of assistance there would be no tax" (p. 117).

The industrial society has, through its own efforts, outstripped its lazier rival. Why, Rawls is asking, should it have to give away its gains to those who have worked less hard? Why does the same point not apply also within a given society? Why, in other words, should those who gain through investment be required to subsidize those who do not?

One can readily construct Rawls's reply. A society that is "liberal" or "decent" has freely decided how much to invest. Individuals within a society lack such freedom. Their status in life is, to a large degree, fixed rather than autonomously chosen. Thus, the advantages of the well-off stand subject to expropriation.

This imagined reply in turn falls before a point that Rawls himself brings out in his discussion of the "law of peoples." Let us grant the premises of the reply that people need a certain level of resources for autonomy. Why is any redistribution above this level allowable?

Our author puts the issue well: "Surely there is a point at which a people's basic needs (estimated in primary goods) are fulfilled and a people can stand on its own" (p. 117). Why does not an analogous point drastically limit the scope of the difference principle within a society? Why are not individuals, given their "basic needs," on their own? (I do not—heaven forbid—myself endorse Rawls's "assistance principle." Rather, I wish only to emphasize its force against Rawls's own basic system.)

Why should those who gain through investment be required to subsidize these who do not?

The radical redistributionist is not yet ready to leave the field. Rawls takes for granted, he will say, a world composed of separate states. Why not amalgamate all societies into a single, world-embracing state? Then, Rawls's limits on his difference principle cease to apply.

In the book's best passage, Rawls decisively rejects worldly government. "I follow Kant's lead in *Perpetual Peace* (1795) in thinking that a world government—by which I mean a unified

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political regime with the legal powers normally exercised by central governments—would either be a global despotism or else would rule over a fragile empire torn by frequent civil strife" (p. 36).

Global redistributionists, unwilling to admit defeat, will probably adduce one last argument. Some countries are much better endowed in resources than others are. Is it fair, e.g., that Saudi Arabia is much wealthier than states less endowed with oil?

Rawls finds this line of thought unconvincing. Not natural resources, but the attitudes and ideas of a people, determine its achievement. Because "the crucial element in how a country fares is its political culture—its members' political and civic virtues—and not the level of its resources, the arbitrariness of the distribution of natural resources causes no difficulty" (p. 117). In support, Rawls cites the view of the economic historian David Landes "that the discovery of oil reserves has been a 'monumental misfortune' for the Arab world" (p. 117).

Rawls's effort to halt his difference principle at society's borders fails. In slaying one set of opponents, he exposes himself fatally to another line of attack. The very points that he raises against his globalist critics strike at his own position.

In like manner, Rawls's approach to foreign policy is embedded in confusion, but patient readers may detach a valuable insight from it. Our author follows fashion in holding that democracy is the key to peace. Democratic states, he holds, do not go to war with each other.

This popular view falls before two objections. First, it holds true only if the class of democracies is sharply restricted in its members. The Athens of Pericles does not qualify, nor does the United States before 1865, since both allowed slavery. But which states are left? Rawls does not tell us; but if few states qualify, the link between democracy and peace has little force.

The very points that Rawls raises against his globalist critics strike at his own position.

Further, even if democracies do not war with each other, they manage to be quite belligerent enough. Rawls is constrained to admit that democracies often are less than entirely pacific: "given the great shortcomings of actual, allegedly constitutional democratic regimes, it is no surprise that they should often intervene in weaker countries . . . or even that they should engage in war for expansionist reasons" (p. 53).

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This admission of course does not induce Rawls to abandon his thesis. That is not the way of a Great Harvard Philosopher. Instead, he claims that "though democratic peoples are not expansionist" (p. 53), governments mask expansionist aims by invoking national security.

We have more here than a desperate attempt by Rawls to avoid refutation. An insight is struggling to emerge. Rawls correctly sees that in a commercial republic, people lack a key incentive to aggressions. "These people . . . are not swayed by the passion for power and glory, by the intoxicating pride of ruling" (p. 47). Why not? Surely not because the government is democratic; rather, people in a commercial republic are peacefully engaged in trade. (Rawls himself comes close to saying this on one occasion, but then backs away.)

In a free-market order, the problem Rawls adduces for his notion of democratic peace fails to arise. Here, government lacks the power to "go abroad in search of monsters to destroy." Democracy, or the lack of it, has nothing to do with the case. ✦

We have more here than a desperate attempt by Rawls to avoid refutation. An insight is struggling to emerge.

The Truth-Splitter

Forced Into Glory: Abraham Lincoln's White Dream

Lerone Bennett, Jr.
Johnson Publishing, 2000
xv + 651 pgs.

The Swiss scholar Eduard Fueter once observed that every historian must decide whether he wishes to write from the perspective of his own time, or from the perspective of those whom he is studying. Few historical issues show the salience of Fueter's dictum as well as the interpretation of Abraham Lincoln's politics.

Precisely illustrating the fallacy that Fueter had in mind, many have viewed Lincoln from the standpoint of the Civil Rights Movement of the 1950s and 60s. To this way of thinking, Lincoln fought for the universal human rights proclaimed in the Declaration of Independence. He regarded the Union as the "last, best hope on earth" for a government "dedicated to the proposition that all men are created equal." Accordingly, he did his utmost to preserve the Union and to end what he regarded as the greatest imperfection of that Union: Negro slavery.

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This view of Lincoln by no means is restricted to mythologists in the style of Carl Sandburg. Quite the contrary, scholars such as Harry Jaffa, the leading promoter of Lincoln-as-philosophical-statesman, accept this view in its entirety. Lerone Bennett does not mention Jaffa in his outstanding new book, but the entire volume massively refutes his position. As Bennett abundantly shows, Lincoln cared little for blacks and wished them to leave the United States.

This surprising contention must face an obvious objection. Did not Lincoln repeatedly declare that the Declaration, and particularly the document's equality clause, was his most basic political principle? Bennett astutely turns the flank of the objection by partially conceding its truth. Lincoln did indeed believe that "all men are created equal." But historians have misunderstood what Lincoln meant.

Bennett derisively cites several historians who have made Lincoln "the patron saint of the Declaration of Independence. J.G. Randall said 'the Declaration of Independence was his platform, his confession of faith.' Roy P. Basler [the editor of Lincoln's *Collected Works*] said 'democracy was to Lincoln a religion'" (p. 311). Bennett comments: "If so, it was a Jim Crow religion with a separate-but-unequal Holy Writ" (p. 311–12).

How can Bennett say this? If he admits that the equality clause of the Declaration was central to Lincoln, has he not given away his case? The Declaration says that "all men are created equal," and no one, not even Chief Justice Taney, doubted that blacks were human beings.

Bennett shows himself fully equal to the challenge of this objection. He places great stress on Lincoln's distinction between "natural" and "political" rights. No doubt blacks, like all other human beings, possess natural rights; but rights of citizenship are an entirely different matter. Further—and this is crucial to Bennett's analysis—all essential political rights are prerogatives of citizenship. Natural rights, apart from citizenship, count for next to nothing in Lincoln's conception.

As Bennett abundantly shows, Lincoln cared little for blacks and wished them to leave the United States.

As our author notes, Lincoln expressed himself with complete clarity on the point. He cites the following, which he terms "so shocking that the best thing for us to do is to get out of the way and let Lincoln speak." Lincoln stated: "Negroes have natural rights, however, as other men have, although they cannot enjoy them here . . . no sane man will attempt to deny that the African upon his own soil has

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all the natural rights that instrument vouchsafes to all mankind" (p. 315).

For Lincoln, then, the question of blacks' rights in the United States could not be answered by looking at the Declaration in isolation. To do so would be to seek guidance from bare abstractions: Bennett terms these "Declaration A." Only by interpreting the Declaration within the concrete historical circumstances of America's founding ("Declaration B"), can one grasp a proper policy towards blacks.

If one interprets the Declaration in this historically sensitive way, Lincoln argued, blacks have little or no place in the American polity. During his debates with Stephen A. Douglas in 1858, Lincoln left little room for doubt about this, and Bennett cites statements that, if made today, might earn Lincoln an indictment for incitement to hate crimes. In the debate at Charleston, Illinois, Lincoln stated: "Judge Douglas has said to you that he has not been able to get from me an answer to the question whether I am in favor of Negro citizenship. . . . I tell him very frankly that I am not in favor of Negro citizenship" (p. 305).

Lincoln, then, did not wish political rights to be extended to blacks. But why not? Here is where Lincoln might encounter legal troubles today. He thought that America was a white man's country. Whites had founded the nation (exercising their natural rights under the Declaration) and had extended the rights of citizenship to other free, white people, not to blacks.

Again, during the Douglas debates, Lincoln famously remarked: "There is a physical difference between the white and black races which I believe will for ever forbid the two races living together on terms of social and political equality. And inasmuch as they cannot so live, while they do remain together there must be the position of superior and inferior, and I as much as any other man am in favor of having the superior position assigned to the white race" (p. 208).

Defenders of the standard view are likely to answer Bennett in this way. "No doubt," they will say, "Lincoln made racist comments from time to time, largely for reasons of political opportunism." He showed his true devotion to the Declaration, though, by his unrelenting opposition to slavery. 'A house divided against itself cannot stand.' During the Civil War, his Emancipation Proclamation freed many slaves and led the way to the Thirteenth Amendment. Even if he

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could not always transcend his background as a poor white from a border state, Lincoln richly deserves to be called the Great Emancipator."

Lincoln, as the imagined objection correctly states, opposed slavery. But, exactly in line with the distinction between natural rights and citizenship as Bennett construes it, he did not oppose slavery in the states where it existed. To do so would be to interfere with settled custom. "We must not disturb slavery in the states where it exists, because the constitution, and the peace of the country, both forbid us" (p. 249). Lincoln's opposition to slavery had an entirely different focus.

What he consistently attacked was extending slavery to the territories. Extension of slavery might lead to the overthrow of the Declaration, which would threaten the rights of white people. Lincoln denounced the "few, but an increasing number of men, who, for the sake of perpetuating slavery, are beginning to assail and to ridicule the white-man's charter of freedom—the declaration that 'all men are created free and equal'" (p. 222).

To press the objection to Bennett further, though, did not Lincoln strike a blow for freedom with the Emancipation Proclamation? Once more, Bennett insists on the need to take into account the historical context when interpreting Lincoln's words and actions.

If one does so, one thing is clear. Lincoln, ever the follower of Henry Clay, wished at all costs to preserve the Union. Freeing blacks was simply a tool to be used in the fight against secession. Lincoln, in response to a letter from Horace Greeley urging that he enforce the Confiscation Act in order to free slaves, made clear his priorities. "My paramount object in this struggle *is* to save the Union, and is *not* either to save or to destroy slavery. If I could save the Union without freeing *any* slave I would do it, and if I could save it by freeing *all* the slaves I would do it" (p. 480, emphasis in original).

Extension of slavery might lead to the overthrow of the Declaration, which would threaten the rights of white people.

Is not our author here open to counterattack? Even if Lincoln viewed emancipation as a mere means in the struggle for the Union, he did, after all, free the slaves. Does this not count for something?

Bennett anticipates the objection and has a ready answer. The Emancipation Proclamation freed slaves only in areas in which the Union army had no control. True enough, as the army advanced, slaves came under Union jurisdiction; but Lincoln often held back generals from freeing slaves and supported those who did not. He

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seemed quite ready to abandon his own very limited emancipation plans at the slightest sign of a Southern government, however anti-black, that wished to rejoin the Union.

Bennett hammers home the theme that Lincoln's real hope for blacks was their colonization outside the United States. "Even as Lincoln basked in the glow of the Emancipation . . . some 450 African-Americans, . . . were being deported, with their consent, we are told, and at Lincoln's direction to establish the first Lincoln colony" (p. 553). Contrary to Lincoln's many apologists, he did not abandon colonization in the last years of the Civil War. Quite the contrary, the scheme formed an essential part of his plan for a centralized state based on white ethnic identity.

Bennett mounts a formidable case, and is on only a few points open to challenge. He claims that had Lincoln adopted the policies of the most radical Republicans, he could have ended the war much sooner. But he fails to offer evidence for this contention, and one suspects his view merely expresses his own approval of Thaddeus Stevens and his ilk. Bennett makes very heavy weather of Lincoln's love of jokes about blacks. Is this really evidence of racism? Further, in his extravagant praise of Frantz Fanon, he ignores Fanon's calls for murder of Europeans. But in his central contentions about Lincoln, Bennett has proved his case to the hilt. ✦

In his central contentions about Lincoln, Bennett has proved his case to the hilt.

THE ROOTS OF ROTHBARD

The Irrepressible Rothbard: The Rothbard–Rockwell Report Essays of Murray N. Rothbard

EDITED BY LLEWELLYN H. ROCKWELL, JR. CENTER FOR LIBERTARIAN STUDIES, 2000 XX + 431 PGS.

This indispensable selection of articles that Murray Rothbard wrote for the *Rothbard–Rockwell Report* contains the most insightful comment on foreign policy I have ever read. In a few paragraphs, Rothbard destroys the prevailing doctrine of twentieth-century American foreign policy.

According to the Accepted Picture, totalitarian powers twice threatened America during the past sixty years. Germany, under the maniacal leadership of Hitler, aimed at world conquest. When the United States and her allies succeeded in halting the Nazis, a new menace demanded attention.

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The Soviet Union, a militantly expansionist state, had to be contained during the protracted cold war. At various times throughout the cold war, and continuing after it to the present, hostile and aggressive dictators presented America with problems. Saddam Hussein ranks perhaps as the most notorious of these tyrants.

A belligerent foreign policy, then, will most likely lead to the wars it professes to deter.

The Accepted Picture draws a lesson from all these events. An aggressive power, almost always led by a dictator, must be dealt with as one would handle a neighborhood bully. Only firm demands to the dictator can stave off war.

Since bullies generally are cowards, dictators will back down if directly challenged. The Munich Conference, September 29–30, 1938, perfectly illustrates how not to handle a dictator. Britain and France appeased Hitler; the result was war one year later. Had Britain and France acted when Hitler remilitarized the Rhineland in 1936, the Nazis could have been overthrown virtually without cost.

Rothbard at once locates the fallacy in this oft-repeated line of thought. "Answer me this, war hawks: when, in history when, did one State, faced with belligerent, ultra-tough ultimatums by another, when did that State ever give up and in effect surrender—before any war was fought? When?" (p. 170).

Rothbard's rhetorical question rests upon a simple point of psychology. The supposed "bully" cannot surrender to an ultimatum lest he be overthrown. "No head of State with any pride or self-respect, or who wishes to keep the respect of his citizens, will surrender to such an ultimatum" (p. 170).

The Gulf War perfectly illustrates Rothbard's contention. Faced with an overwhelming show of force, Saddam Hussein did not back down. Rothbard's apt generalization explains Saddam's seemingly irrational response.

But have we not forgotten something? What about World War II? Does not the failure to confront Hitler over Czechoslovakia in 1938 prove conclusively the thesis of the anti-appeasers?

Our author's response illustrates his ability to counter an opposing argument at its strongest point. "Neither was World War II in Europe a case where toughness worked. On the contrary, Hitler disregarded the English guarantee to Poland that brought England and France into the German–Polish war in September 1939" (p. 170).

A belligerent foreign policy, then, will most likely lead to the wars it

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professes to deter. But who urges us toward this course? Rothbard arraigns the social democrats and their successors, the neoconservatives. These he accuses of support for statism at home and war abroad.

Rothbard tersely sums up the credo of social democracy in this way: "on all crucial issues, social democrats stand against liberty and tradition, and in favor of statism and Big Government. They are more dangerous in the long run than the communists, not simply because they have endured, but also because their program and their rhetorical appeals are far more insidious, since they claim to combine socialism with the appealing virtues of 'democracy' and freedom of inquiry" (p. 23).

Rothbard arraigns the social democrats and their successors, the neoconservatives.

For Rothbard, the State always ranks as the principal enemy. The battle against the "massive welfare–warfare State" to him was no mere clash of abstractions. Quite the contrary, he aimed at particular targets who embodied the statist doctrines he abhorred. Sidney Hook occupied a place near the summit of his intellectual foes. A precocious communist in the 1920s, Hook found the Soviet Union insufficiently revolutionary and soon beat the drums for militant anti-communism, though of a distinctly socialist cast. Throughout his long life, he called for war, first against Nazi Germany and then against Comrade Stalin. According to Rothbard, "one's attitude toward Sidney Hook . . . provides a convenient litmus test on whether someone is a genuine conservative, a paleo, or some form of neo" (p. 25).

The struggle against the State needed to be waged on many fronts. Rothbard saw a disturbing trend among certain left-libertarians. Although libertarianism quintessentially opposes State power, some doctrinal deviants allowed the enemy to enter through the back door.

They did so by holding that public agencies must observe rules of nondiscriminatory treatment. These rules have nothing to do with the free market, but everything to do with the slogans of the contemporary Left. Rothbard expertly locates the central fallacy in the argument of the libertarian heretics. Since nearly everything nowadays partakes to a degree of the State, the new doctrine leads to total government control.

Rothbard states his point with characteristic panache: "But not only literal government operations are subject to this egalitarian doctrine. It also applies to any activities which are tarred with the public brush, with the use, for example, of government streets, or any acceptance of taxpayer funds . . . sometimes, libertarians fall back on the

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angry argument that, nowadays, you can't really distinguish between public and private anyway" (p. 103).

We have, then, an all out statist attack on liberty. How has this assault managed to do so well? Rothbard's answer exposes the philosophical roots of our problem. No longer does the academic elite believe in objective morality, grasped by right reason. Lacking a rational basis for moral values, our supposed intellectual leaders readily fall prey to statist fallacy.

The beginning stage of nihilism, Rothbard maintains, occurred in art. "First, the left-liberals preached *l'art pour l'art* in aesthetics, and, as a corollary in ethics, trumpeted the new view that there is no such thing as a revealed or objective ethics, that all ethics are 'subjective,' that all of life's choices are only personal, emotive 'preferences'" (p. 296).

The denial of objective standards in the name of freedom led to death and destruction. Rothbard maintains that ethical nihilism results in the overthrow of the most basic human rights, including the right not to be murdered. He has not the slightest sympathy for the rampant pro-euthanasia movement. "No, the mask is off, and Doctor Assisted Death and Mr. Liberal Death with Dignity, and all the rest of the crew turn out to be Doctor or Mister Murder. Watch out Mr. and Ms. America: liberal humanists, lay and medical, are . . . out to kill you" (p. 303).

What can be done to combat statism and nihilism? Rothbard views populism with great sympathy. As so often in his work, he rethought and deepened his position. He determined that a common libertarian strategy, looking to the courts to enforce rights, was mistaken.

Lacking a rational basis for moral values, our supposed intellectual leaders readily fall prey to statist fallacy.

Even in cases in which courts enforce the "correct" position, the imperatives of local control and states rights should not be overturned. Thus, Rothbard favored a "pro-choice" position on abortion. But he was loath to have courts enforce abortion rights against recalcitrant states.

"No; libertarians should no longer be complacent about centralization and national jurisdiction—the equivalent," he writes, "of foreign intervention or of reaching for global dictatorship. Kansans henceforth should take their chances in Kansas; Nevadans in Nevada, etc. And if women find that abortion clinics are not defended in Kansas, they can travel to New York or Nevada" (p. 306).

Although Rothbard found great merit in populism, he did not defend the movement uncritically. He saw danger in leftist populism: a true populist movement must not abandon the

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free market in favor of crackpot panaceas. In one of the last articles he wrote, he warned Pat Buchanan against this danger. "In this murky and volatile situation, the important thing for us paleopopulists is that we find a candidate as soon as possible who will lead and develop the cause and the movement of right-wing populism, to raise the standard of the Old, free, decentralized, and strictly limited Republic" (p. 141). ✦

DWORKIN: INADVERTENT LIBERTARIAN?

Sovereign Virtue: The Theory and Practice of Equality

RONALD DWORKIN
HARVARD UNIVERSITY PRESS, 2000
511 PGS.

Ronald Dworkin gets off to a poor start, but things are not so bad as they first appear. He tells us that equality is the sovereign political virtue. What could be more antilibertarian?

But we must not move too quickly: his "sovereign virtue" need not be taken in a conventionally egalitarian way. Dworkin's basic principle states: "[n]o government is legitimate that does not show equal concern for the fate of all those citizens over whom it claims dominion and from whom it claims allegiance" (p. 1).

Ronald Dworkin gets off to a poor start, but things are not so bad as they first appear.

Oddly enough, this principle can be read in a way that makes it entirely consistent with strict adherence to the free market. A libertarian should respond to Dworkin that in a free market, the government (or, as Rothbardians prefer, the private protection agencies) does treat everyone under its jurisdiction with equal concern. It does so by respecting everyone's rights to life, liberty, and property. This, not the elaborately detailed schemes for redistribution our author sets forward, is the correct understanding of equal concern.

Dworkin, who rarely misses a philosophical trick, anticipates this objection. "Those who embrace it [laissez-faire] can also accept the abstract egalitarian principle and claim their theory as the best interpretation of that principle" (p. 481).

Unfortunately, Dworkin has little directly to say about this theory: perhaps to him it is obviously wrong. But it is not too difficult to see why he

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opposes the free market. In his view, the poor in a market society could claim that they have been subject to harmful discrimination.

But how can this be? However limited their resources, do not the poor in a free-market order have exactly the same rights as anyone else? No, responds Dworkin. The fact that individuals do poorly on the market in part arises from the legal system in place. "[W]hen a nation's wealth is very unequally distributed . . . then its equal concern is suspect. For the distribution of wealth is the product of a legal order . . . when government enacts or sustains one set of such laws rather than another, it is not only predictable that some citizens' lives will be worsened by its choice but also, to a considerable degree, which citizens these will be. . . . We must be prepared to explain, to those who suffer in that way, why they have nevertheless been treated with the equal concern that is their right" (pp. 1–2).

Dworkin's response just pushes back the issue one step. Granted that how people fare in the market depends on how the legal system defines their property rights, what then follows? What criteria govern a proper legal system?

Here our author arrives at a surprising answer. Although he dismisses laissez-faire capitalism with barely a mention, his own principle of distribution grasps a key truth about the market. In a free market, goods pass to those who are willing to pay the most to get them.

An example will clarify the point. What determines who gets to own a copy of that most valuable commodity, *The Mises Review*? Obviously, the magazine goes to that select group willing to pay the subscription price. If more people clamored for the journal than there were copies in print, demanders would bid up the price until the quantity demanded equaled the available supply. No, I have not by mistake inserted notes for an economics lecture into my review of Dworkin. The example has the utmost relevance to Dworkin's principle of equal concern. A legal system that allows people to bid against one another for the goods they want displays equal concern for its citizens.

In a free market, goods pass to those who are willing to pay the most to get them.

Dworkin states the central point precisely: "The [market] auction proposes . . . that the true measure of the social resources devoted to the life of one person is fixed by asking how important, in fact, that resource is for others. It insists that the cost, measured in that way, figures in each person's sense of what is rightly his and in each person's judgment of what life he

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should lead, given that command of justice," (p. 70).

What has happened? Has Dworkin, an arch-leftist, suddenly converted to free-market orthodoxy? Not at all; I have omitted to mention a vital piece in the puzzle. Dworkin insists that a market, to be fair, must start from a position of equality of resources: "Of course it is sovereign in this . . . connection between the market and equality of resources, that people enter the market on equal terms" (p. 70).

The government has no business attempting to "correct" for the differing talents and resources with which people start out.

Here we reach the decisive difference between Dworkin's conception of equal concern and that of the free-market advocate. As Mises long ago noted, some people indeed have more dollar votes than others. But, as market advocates look at matters, the government has no business attempting to "correct" for the differing talents and resources with which people start out. We show equal concern by taking people as we find them: to do otherwise is drastically to interfere with individual freedom.

But, Dworkin would reply, what about luck? Is it not unfair that, e.g., I was not gifted with the golfing ability that has earned Tiger Woods millions? Should he not be required to give me a large chunk of his money before we can acknowledge the justice of the market?

We could, I suppose, at this point simply throw up our hands and say: "Here we have an irreconcilable clash of moral judgments. It is because of his aberrant judgments that Dworkin must be cast into utter darkness."

I venture to suggest that this is to quit too soon: we can narrow the area of conflict. Dworkin thinks that some matters of luck may be insured against: these he terms "option luck" and permits within his system. If, in the market, you could have insured against accident but failed to do so, you cannot demand that others pay your medical bills in case you suffer accidental injury. Dworkin is here at one with Mises and Rothbard.

What he objects to is the effect of "brute luck." Some instances of bad luck cannot be anticipated through insurance. "Some people are born with handicaps, or develop them before they have either sufficient knowledge or funds to insure on their own behalf. They cannot buy insurance after the event" (p. 77). In Dworkin's view, the government should counteract, by an elaborate "insurance" scheme that he sets forward, the effects of brute luck, both good and bad. Suffice it to say that the "insurance" is

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compulsory and redistributive in intent.

Now, to my mind, the basic issue that separates Dworkin from defenders of the market emerges clearly. Does the government manifest respect for people by attempting to correct for "brute" luck that cannot be dealt with by ordinary insurance?

Even here, I suggest, we need not depend on controversial moral intuitions to answer. Even those inclined to accept Dworkin's insurance plan should think twice before attempting to put the scheme into practice.

Surely no government can be trusted with the immense powers needed to "correct" the market. Would not the holders of power intervene in order to promote their own interests, rather than to enact Dworkin's convoluted plan?

Rather than stress Dworkin's deficient understanding of politics, I prefer to reiterate a fact that greatly surprised me. If we eliminate Dworkin's controversial premise about "brute luck," he offers a powerful defense of the market, along Misesian lines.

This is not the only instance in which Dworkin, no doubt against his intentions, provides ammunition for classical liberals. He sharply criticizes a pet aversion of mine, Rawls's difference principle. He asks a simple but devastating question: why should a theory of economic justice be concerned only with the worst-off class? "[I]t seems callous to say that the only people for whom a theory of justice has concern are those whose lives are the most damaged, even though others, who work as hard as they can, are seriously injured" (p. 331).

I commend to readers the withering analysis Dworkin offers of equality of welfare.

More generally, Rawls does not show why people in "his original position, ignorant of their own future status, would choose the difference principle out of their own self-interest" (p. 331). Even more generally, why is what people would choose in the original position of any relevance for moral theory? Dworkin is not the only writer to raise these issues, but he does so in a particularly effective way.

At many other points, Dworkin's book proves a valuable quarry for those aiming to defend the market. Space limitations prevent further discussion, but I commend to readers the withering analysis Dworkin offers of equality of welfare.

To readers tempted to think that I have gone soft, I offer one argument to the contrary. Dworkin will probably dislike being mined for pro-market arguments more than he would recoil from any invective of which I am capable. ✦

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